

CITY OF CHARLES CITY
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2005

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City of Charles City

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
James A. Erb	Mayor	Jan 2006
Jerry Joerger	Mayor Pro tem	Jan 2006
Dennis Sanvig*	Council Member	Jan 2006
Dean Andrews	Council Member	Jan 2008
Arvin Tibbits	Council Member	Jan 2008
Andy Cerio	Council Member	Jan 2008
Jody Meyer	City Clerk	Indefinite
Don Lorsung	City Administrator	Indefinite
Ralph Smith	City Attorney	Indefinite

* Dennis Sanvig resigned in May, Jan Carey appointed.

LINES MURPHY & COMPANY, P.L.C.

M Certified Public Accountants
625 Main St.
Osage, IA 50461-1307

Ph. 641-732-5841
Fax 641-732-5193

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Charles City, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Charles City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Charles City as of June 30, 2005, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated July 15, 2005 on our consideration of the City of Charles City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 28 through 30 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Charles City's basic financial statements. Another auditor previously audited the financial statements for the three years ended June 30, 2004 (which are not presented herein) and his reports expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the accompanying Schedule of Expenditures of Federal Awards required by U. S. Office of Management and Budget (OMB) Circular A-133 Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lines Murphy & Company, P. L. C.
Certified Public Accountants
Osage, Iowa
July 15, 2005

CITY OF CHARLES CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005

This discussion and analysis is intended to be an easily readable analysis of the City of Charles City's financial activities for the fiscal year ended June 30, 2005 based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the City's financial statements that begin on page 11.

Basis of Accounting

The City has elected to present its financial statements on a cash basis of accounting. The cash basis of accounting is a basis other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses and their related assets and liabilities. Under the City's cash basis of accounting, revenues and expenses are recorded when they result from cash transactions. As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods and services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Report Layout

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34. GASB 34 implements a new model of financial reporting for state and local governments designed to enhance the usefulness of the City's annual report. Besides the Management's Discussion and Analysis (MD&A), the report consists of government-wide statements, fund financial statements, notes to the financial statements, combining schedules of non-major funds and supplemental information. The first several statements are highly condensed and present a government-wide view of the City's finances. Within this view, all City operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services such as public safety, public works, health and social services, culture and recreation, community and economic development, general government administration, debt service, and capital projects. Business-type activities are water, sewer and garbage.

Statement of Activities

The focus of the Statement of Activities is to present the major program costs and match major resources with each. To the extent a program's cost is not covered by grants, donations and direct charges, it is paid from general taxes and other resources. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

CITY OF CHARLES CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005

Following the Statement of Activities is a section containing fund financial statements. In the Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Governmental Funds section, the City's major funds are presented in their own column and the remaining funds are combined into a column titled "Non-major Governmental Funds." Readers who wish to obtain information on non-major funds can find it in the Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Non-major Governmental Funds section of this report. Finally, completing the document is a series of other financial schedules and the reports by the independent certified public accountants as required by statute.

The MD&A is intended to explain the significant changes in financial position and differences in operations between the current and prior years.

CITY AS A WHOLE

Government-Wide Financial Statements

To aid in the understanding of the Statement of Activities, some additional explanation is given. First all receipts and disbursements are categorized as either governmental activities or business-type activities. These are defined as follows:

Governmental funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The City's major governmental funds are the General Fund, the Public Housing Fund, and the Debt Service Fund. All other governmental funds are aggregated in a single column entitled Other Nonmajor Governmental Funds. Governmental funds are further broken down into the following activities:

Public Safety - This category includes police operations including reserves, emergency management, fire protection, ambulance service, animal control services and miscellaneous protective services.

Public Works - This category includes roads, bridges, and sidewalks, equipment replacement, street lighting, snow removal, street cleaning, airport and other public works.

Health and Social Services - This category includes the Foster Grandparent Program.

CITY OF CHARLES CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005

Culture and Recreation - This category includes library services, band shell, parks, recreation, swimming pool operations and golf course operations.

Community and Economic Development - This category includes community beautification, and economic development, the housing program, urban renewal, planning and zoning and miscellaneous services.

General Government - This category includes mayor, city council, city administrator, city clerk/finance officer, elections, legal services, city hall, and other general government operations.

Debt Service - This category includes general obligation, revenue, urban renewal, TIF and road use tax debt service and loan obligations.

Capital Projects - This category includes park and recreation capital improvements, airport capital improvements including the runway grant project, street improvement projects, communications equipment, South Grand TIF District improvements, Park Avenue TIF District improvements, continuation of the 215th Street project, continuation of the Cedar Mall project, continuation of the Watertower project, law enforcement grant programs, Water Plant improvement project and Water Pollution Control Plant improvements

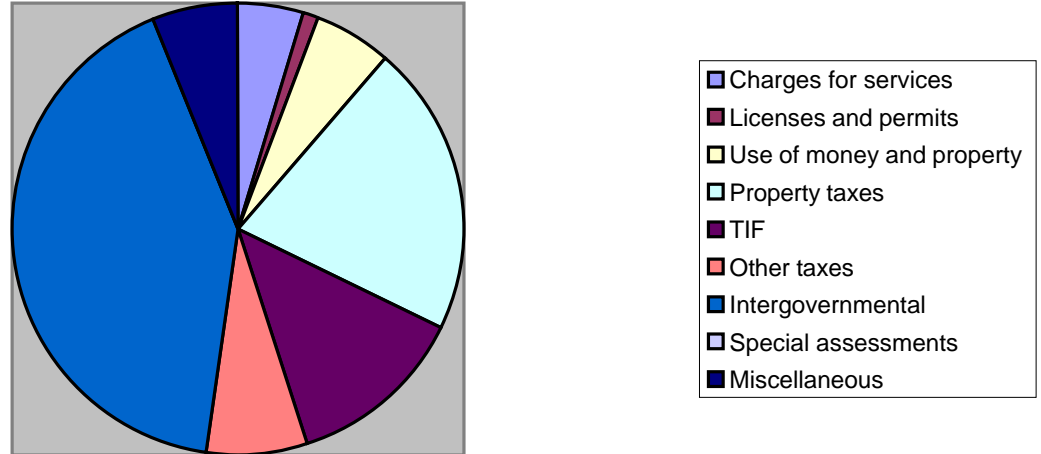
Business-Type (Proprietary) Funds - When the City charges customers for the services it provides, these services are generally reported in business-type or proprietary funds. These are self-sufficient funds. The City's major business-type funds are waterworks, utility improvement, water pollution control, sewer improvement and waste collection. This also includes all debt service and capital projects associated specifically with the above listed utilities.

Second, of particular interest is the format that is significantly different than a typical Statement of Activities and Net Assets. You will notice that disbursements are listed in the first column with receipts from that particular program reported to the right. The result is a Net (Disbursement)/Receipt. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note that all taxes and bond proceeds are classified as general revenue even if restricted for a specific purpose.

Governmental Activities

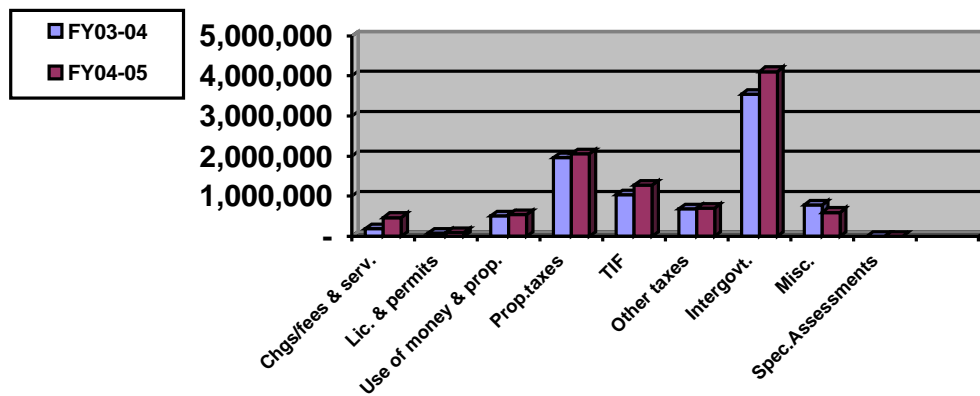
For the year ended June 30, 2005, the City's governmental activities were funded as defined in the following graph:

**CITY OF CHARLES CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005**



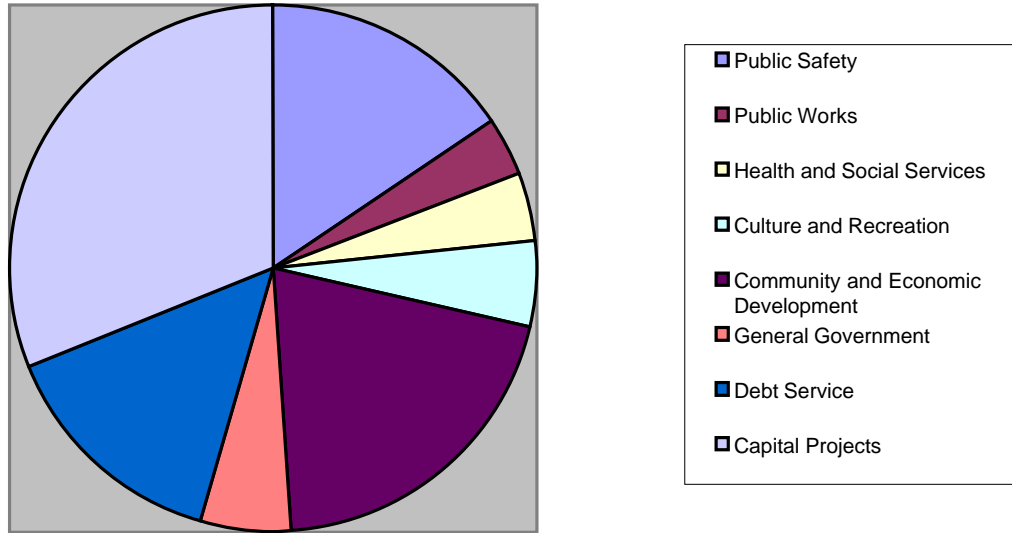
Sources of Funds for Governmental Activities

Governmental program revenues increased compared to the prior year. Major differences by revenue source are outlined below. Charges for services increased significantly in total. Property tax revenues were up slightly. TIF revenues were up significantly. Other tax revenues decreased slightly over last year. Licenses and permits increased over the previous year. Intergovernmental revenues were up approximately 15.8%. Special assessment revenue decreased. Miscellaneous revenues showed a decrease over the previous year. Total governmental revenues this year as compared to last fiscal year are shown in the graph following.



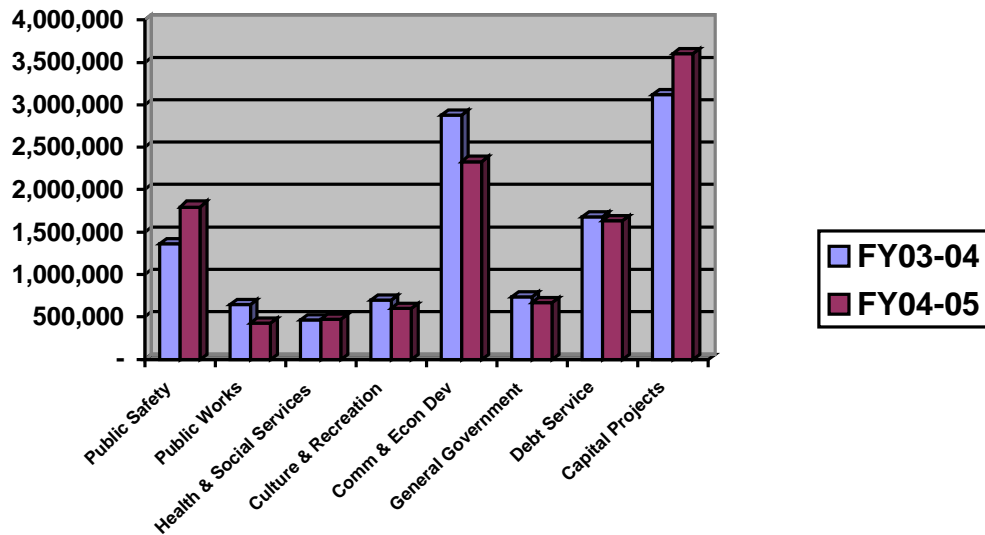
CITY OF CHARLES CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005

Uses of Funds in Governmental Activities



With a few exceptions, governmental program expenses also remain similar to the prior year. Public safety expenditures increased overall. Public works decreased while expenditures for health and social services remained nearly the same. Culture and recreation expenditures decreased by about \$100,000. Community and economic development expenditures decreased by about \$500,000. The general government expenditures decreased slightly. Debt service expenditures increased overall. Capital project expenditures increased in total by about \$480,000. Capital projects begun included the purchase of communications equipment, Park Avenue TIF District improvements, Water Plant improvements and Water Pollution Control Plant improvements. Capital projects completed include the Airport Runway Grant program, the 2004 Street Improvements Project, South Grand TIF District Improvements, 215th Street project, the Cedar Mall Project and the Watertower Project. Other capital projects were in the planning stages as well. Total governmental expenses this year as compared to last fiscal year are shown in the graph above.

**CITY OF CHARLES CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005**



Capital Assets and Debt Administration

As of June 30, 2005 the City had fund balances on hand of \$4,792,013 in governmental fund types and \$1,120,162 in business-type funds. The governmental fund type balance increased by approximately \$159,000 and the business-type funds decreased by approximately \$751,000 during fiscal year 2004-2005. The main reasons for the decrease of the business-type funds on hand is the spending of balances carried forward for capital projects and large equipment purchases, as well as a choice by City Council to try to keep property tax rate increases to a minimum.

Debt Outstanding

As of year-end, the City had \$13,978,667 in debt outstanding compared to \$12,637,905 in 2004.

Outstanding Debt at Year End

	<u>2005</u>	<u>2004</u>
Governmental		
General obligation bonds	\$ 7,181,000	\$ 6,093,000
General obligation notes	522,482	620,679
Business-type		
Revenue bonds	\$ 5,357,294	\$ 4,788,459
Revenue notes	611,684	590,684
Interfund Loan Agreements	\$ 306,207	\$ 545,083
TOTAL	\$13,978,667	\$12,637,905

CITY OF CHARLES CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005

For more detailed information on the City's debt and amortization terms refer to pages 34 and 35.

Economic Factors

While property taxes are important to the City, they represent less than 21% of total program resources. Property taxes were less than expected due to only partial state reimbursement on property tax credits. TIF revenues comprised just under 13% of revenues. The largest resource, at nearly 24%, comes from fees and charges for services and includes utility charges. The City monitors all of its resources and determines the need for program adjustment or fee increases accordingly.

Next Year's Budget

With the loss of state aids and bank franchise fees, expenses have been adjusted in all departments. Capital equipment and facility improvements for departments either have been delayed, reduced or eliminated.

The budget for FY 2005-06 continues the practice of upgrading the condition of the City's plant facilities and equipment. For the most part, these expenditures are to replace worn out equipment or to make minor repairs to plant facilities. In some cases, items are included to improve the safety or efficiency of operations, to shed excessive maintenance costs or to meet special needs in various departments. Items included in the 2005-06 budget financed with operating funds are as follows:

- Police Department/Emergency – Squad car replacement
- Street Department – Loader equipment
- Water Department – Window replacement, mowing equipment
- Water Pollution Control Department – Generator for lift station
- Park & Recreation Department – Golf course equipment
- City Hall – Roof replacement and computer equipment
- Engineering - Truck replacement

Financial Contact

The City's financial statements are designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the City Clerk/Finance Officer at 105 Milwaukee Mall, Charles City, IA 50616, phone (641)257-6300 or email jody@cityofcharlescitiy.org.

Jody J. Meyer
Interim City Administrator/Clerk/Finance Officer

City of Charles City
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2005

	<u>Disbursements</u>
Functions / Programs:	
Governmental activities:	
Public safety	\$ 1,783,075
Public works	418,810
Health and social services	469,643
Culture and recreation	595,817
Community and economic development	2,329,148
General government	661,760
Debt service	1,638,919
Capital projects	3,599,929
Total governmental activities	<u>\$ 11,497,101</u>
Business type activities:	
Water	\$ 1,135,777
Sewer improvements	276,112
Waste collection	255,612
Utility improvements	732,028
Transit and fire extinguisher	55,091
Total business type activities	<u>\$ 2,454,620</u>
Total	<u><u>\$ 13,951,721</u></u>
General Receipts:	
Property tax levied for:	
General purposes	
Tax increment financing	
Debt service	
Local option sales tax	
Grants and contributions not restricted to specific purpose	
Unrestricted interest on investments	
Bond proceeds (including net premium, discounts and fees of \$57,192)	
Miscellaneous	
Transfers	
Total general receipts and transfers	
Change in cash basis net assets	
Cash basis net assets beginning of year, as restated in footnote 18	
Cash basis net assets end of year	
Cash Basis Net Assets	
Restricted:	
Debt service	
Other purposes	
Unrestricted	
Total cash basis net assets	

See notes to financial statements.

Exhibit A

Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
\$ 292,259	\$ 36,105	\$ -	\$ (1,454,711)	\$ -	\$ (1,454,711)
79,552	685,069	-	345,811	-	345,811
6,431	344,930	152,566	34,284	-	34,284
266,048	31,255	-	(298,514)	-	(298,514)
649,897	782,948	1,773,408	877,105	-	877,105
-	-	-	(661,760)	-	(661,760)
-	-	-	(1,638,919)	-	(1,638,919)
57,397	167,500	-	(3,375,032)	-	(3,375,032)
<u>\$ 1,351,584</u>	<u>\$ 2,047,807</u>	<u>\$ 1,925,974</u>	<u>\$ (6,171,736)</u>	<u>\$ -</u>	<u>\$ (6,171,736)</u>
\$ 1,606,752	\$ -	\$ -	\$ -	\$ 470,975	\$ 470,975
-	-	-	-	(276,112)	(276,112)
280,762	-	-	-	25,150	25,150
1,529	-	-	-	(730,499)	(730,499)
18,508	-	-	-	(36,583)	(36,583)
<u>\$ 1,907,551</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (547,069)</u>	<u>\$ (547,069)</u>
<u>\$ 3,259,135</u>	<u>\$ 2,047,807</u>	<u>\$ 1,925,974</u>	<u>\$ (6,171,736)</u>	<u>\$ (547,069)</u>	<u>\$ (6,718,805)</u>
			\$ 2,005,422	\$ 33,808	\$ 2,039,230
			1,278,706	-	1,278,706
			255,806	-	255,806
			491,064	-	491,064
			13,406	1,100	14,506
			180,258	19,893	200,151
			1,174,626	406,017	1,580,643
			298,787	4,132	302,919
			663,904	(663,904)	-
			<u>\$ 6,361,979</u>	<u>\$ (198,954)</u>	<u>\$ 6,163,025</u>
			\$ 190,243	\$ (746,023)	\$ (555,780)
			4,632,480	1,559,553	6,192,033
			<u>\$ 4,822,723</u>	<u>\$ 813,530</u>	<u>\$ 5,636,253</u>

City of Charles City
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2005

	General	Special Housing Security Deposits & Public Housing
Receipts:		
Property tax	\$ 1,754,940	\$ -
Tax increment financing collections	-	-
Other city tax	250,482	-
Licenses and permits	98,716	-
Use of money and property	110,268	390,906
Intergovernmental	1,885,076	88,648
Charges for service	271,856	8,238
Special assessments	-	-
Miscellaneous	162,682	64,182
Total receipts	<u>\$ 4,534,020</u>	<u>\$ 551,974</u>
Disbursements:		
Operating:		
Public safety	\$ 1,343,876	\$ -
Public works	76,742	-
Health and social services	-	-
Culture and recreation	573,006	-
Community and economic development	276,574	377,665
General government	665,739	-
Debt service	-	-
Capital projects	2,042,212	-
Total disbursements	<u>\$ 4,978,149</u>	<u>\$ 377,665</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (444,129)</u>	<u>\$ 174,309</u>
Other financing sources (uses):		
Bond proceeds (including net premium, discount and fees of \$47,374)	\$ -	\$ -
Operating transfers in	603,728	-
Operating transfers out	(21,093)	(6,000)
Total other financing sources (uses)	<u>\$ 582,635</u>	<u>\$ (6,000)</u>
Net change in cash balances	\$ 138,506	\$ 168,309
Cash balances beginning of year	704,849	718,280
Cash balances end of year	<u><u>\$ 843,355</u></u>	<u><u>\$ 886,589</u></u>
Cash Basis Fund Balances		
Reserved:		
Debt service	\$ -	\$ -
Unreserved:		
General fund	843,355	-
Special revenue funds	-	886,589
Capital projects fund	-	-
Permanent fund	-	-
Total cash basis fund balances	<u><u>\$ 843,355</u></u>	<u><u>\$ 886,589</u></u>

See notes to financial statements.

Exhibit B

Revenue			Other	
Tax			Nonmajor	
Increment	Debt	Capital	Governmental	
Financing	Service	Projects	Funds	Total
\$ -	\$ 255,806	\$ -	\$ -	\$ 2,010,746
1,278,706	-	-	-	1,278,706
-	-	-	491,064	741,546
-	-	-	-	98,716
18,344	3,807	3,933	17,817	545,075
23,261	-	32,054	2,078,944	4,107,983
-	-	-	188,762	468,856
-	-	1,623	-	1,623
-	-	85,188	283,511	595,563
\$ 1,320,311	\$ 259,613	\$ 122,798	\$ 3,060,098	\$ 9,848,814
\$ -	\$ -	\$ -	\$ 455,477	\$ 1,799,353
-	-	-	346,771	423,513
-	-	-	472,537	472,537
-	-	-	25,705	598,711
684,949	-	-	990,322	2,329,510
-	-	-	-	665,739
-	1,638,919	-	-	1,638,919
450,603	-	189,349	917,765	3,599,929
\$ 1,135,552	\$ 1,638,919	\$ 189,349	\$ 3,208,577	\$ 11,528,211
\$ 184,759	\$ (1,379,306)	\$ (66,551)	\$ (148,479)	\$ (1,679,397)
\$ -	\$ 1,174,626	\$ -	\$ -	\$ 1,174,626
793,168	1,006,045	-	296,825	2,699,766
(687,690)	(1,138,668)	-	(182,411)	(2,035,862)
\$ 105,478	\$ 1,042,003	\$ -	\$ 114,414	\$ 1,838,530
\$ 290,237	\$ (337,303)	\$ (66,551)	\$ (34,065)	\$ 159,133
492,619	253,444	455,288	2,008,400	4,632,880
\$ 782,856	\$ (83,859)	\$ 388,737	\$ 1,974,335	\$ 4,792,013
\$ -	\$ (83,859)	\$ -	\$ -	\$ (83,859)
-	-	-	-	843,355
782,856	-	-	1,955,375	3,624,820
-	-	388,737	-	388,737
-	-	-	18,960	18,960
\$ 782,856	\$ (83,859)	\$ 388,737	\$ 1,974,335	\$ 4,792,013

City of Charles City

Reconciliation of the Statement of Cash Receipts, Disbursements and Changes
in Cash Balances to the Statement of Activities and Net Assets – Governmental Funds

As of and for the year ended June 30, 2005

Total governmental funds cash balances (page 13)	\$ 4,792,013
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Amounts reported for governmental activities in the Statement of
Activities and Net Assets are different because:

The Internal Service Fund is used by management to charge the costs of
partial self funding of the City's health insurance benefit plan to individual
funds. The assets of the Internal Service Fund are included in
governmental activities in the Statement of Net Assets.

30,710

Cash basis net assets of governmental activities (page 11)
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<u>\$ 4,822,723</u>

Net change in cash balances (page 13)

\$ 159,133

Amounts reported for governmental activities in the Statement of
Activities and Net Assets are different because:

The Internal Service Fund is used by management to charge the costs of
employee health benefits to individual funds. The change on net assets of
the Internal Service Fund is reported with governmental activities.

31,110

Change in cash balance of governmental activities (page 11)

<u>\$ 190,243</u>

See notes to financial statements.

City of Charles City

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2005

	Enterprise Funds					Internal Service Fund
	Water	Sewer Improvements	Waste Collection	Utility Improvements	Transit & Fire Extng.	Employee Health
Operating receipts:						
Charges for service	\$ 1,603,206	\$ -	\$ 280,742	\$ -	\$ 19,607	\$ 1,903,555
Miscellaneous	3,561	3,200	-	1,693	-	8,454
Total operating receipts	<u>\$ 1,606,767</u>	<u>\$ 3,200</u>	<u>\$ 280,742</u>	<u>\$ 1,693</u>	<u>\$ 19,607</u>	<u>\$ 1,912,009</u>
Operating disbursements:						
Business type activities	\$ 1,137,586	\$ 279,368	\$ 255,612	\$ 732,028	\$ 55,091	\$ 2,459,685
Nonprogram	-	-	-	-	-	-
Total operating disbursements	<u>\$ 1,137,586</u>	<u>\$ 279,368</u>	<u>\$ 255,612</u>	<u>\$ 732,028</u>	<u>\$ 55,091</u>	<u>\$ 2,459,685</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>\$ 469,181</u>	<u>\$ (276,168)</u>	<u>\$ 25,130</u>	<u>\$ (730,335)</u>	<u>\$ (35,484)</u>	<u>\$ (547,676)</u>
Non-operating receipts:						
Property tax	\$ -	\$ -	\$ -	\$ -	\$ 33,808	\$ 33,808
Intergovernmental	755	-	19	-	-	774
Interest on investments	19,893	-	-	-	-	19,893
Total non-operating receipts	<u>\$ 20,648</u>	<u>\$ -</u>	<u>\$ 19</u>	<u>\$ -</u>	<u>\$ 33,808</u>	<u>\$ 54,475</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ 489,829</u>	<u>\$ (276,168)</u>	<u>\$ 25,149</u>	<u>\$ (730,335)</u>	<u>\$ (1,676)</u>	<u>\$ (493,201)</u>
Other financing sources (uses):						
Bond proceeds (net of \$9,818 in fees and discount)	\$ -	\$ 95,836	\$ -	\$ 310,182	\$ -	\$ 406,018
Operating transfers in	106,500	241,000	-	-	-	347,500
Operating transfers out	(731,642)	(257,362)	(22,400)	-	-	(1,011,404)
Total other financings sources (uses)	<u>\$ (625,142)</u>	<u>\$ 79,474</u>	<u>\$ (22,400)</u>	<u>\$ 310,182</u>	<u>\$ -</u>	<u>\$ (257,886)</u>
Net change in cash balances	<u>\$ (135,313)</u>	<u>\$ (196,694)</u>	<u>\$ 2,749</u>	<u>\$ (420,153)</u>	<u>\$ (1,676)</u>	<u>\$ (751,087)</u>
Cash balances beginning of year	353,936	438,216	967	760,811	5,688	1,559,618
Cash balances end of year	<u>\$ 218,623</u>	<u>\$ 241,522</u>	<u>\$ 3,716</u>	<u>\$ 340,658</u>	<u>\$ 4,012</u>	<u>\$ 808,531</u>
Cash Basis Fund Balances						
Reserved for debt service	\$ -	\$ 241,522	\$ -	\$ 340,658	\$ -	\$ 582,180
Unreserved	218,623	-	3,716	-	4,012	226,351
Total cash basis fund balances	<u>\$ 218,623</u>	<u>\$ 241,522</u>	<u>\$ 3,716</u>	<u>\$ 340,658</u>	<u>\$ 4,012</u>	<u>\$ 808,531</u>

See notes to financial statements.

City of Charles City

Reconciliation of the Statement of Cash Receipts, Disbursements and Changes
in Cash Balances to the Statement of Activities and Net Assets – Proprietary Funds

As of and for the year ended June 30, 2005

Total enterprise funds cash balances (page 15)	\$ 808,531
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Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. The assets of the Internal Service Fund are included in business type activities in the Statement of Net Assets.

4,999

Cash basis net assets of business type activities (page 11)	\$ 813,530
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Net change in cash balances (page 15)	\$ (751,087)
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Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit to individual funds. The change in net assets of the Internal Service Fund is reported with business type activities.

5,064

Change in cash balance of business type activities (page 11)	\$ (746,023)
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See notes to financial statements.

City of Charles City
Notes to Financial Statements
June 30, 2005

(1) Summary of Significant Accounting Policies

The City of Charles City is a political subdivision of the State of Iowa located in Floyd County. It was first incorporated in 1869 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Charles City has included all funds, organizations, agencies, boards, commissions and authorities. The city has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Floyd County Assessor's Conference Board, Floyd County Emergency Management Commission, Floyd-Mitchell-Chickasaw County Solid Waste Management Agency, and Floyd County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Housing Security Deposits and Public Housing Fund are used to account for public housing areas partially funded by the Department of Housing and Urban Development.

The Tax Increment Financing Funds are used to account for urban renewal projects financed by tax increment financing.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for capital projects financed by the City.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Improvements Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Waste Collection Fund is used to account for garbage collection services to the citizens of Charles City.

The Utilities Improvements Fund is used to account for improvements to the City's water utility system.

The Transit and Fire Extinguisher Fund is used to account for the City's public transportation system.

The City also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on cost reimbursement basis.

C. Measurement Focus and Basis of Accounting

The City of Charles City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the debt service and business type activities functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments at June 30, 2005.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds and notes and revenue bonds and notes are as follows:

Year Ending June 30,	General Obligation Bonds		General Obligation Notes		Revenue Bonds		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 353,000	\$ 280,122	\$ 95,802	\$ 17,197	\$ 220,000	\$ 197,430	\$ 109,684	\$ 28,734	\$ 778,486	\$ 523,483
2007	358,000	267,861	95,680	14,431	235,400	191,231	29,000	26,190	718,080	499,713
2008	379,000	256,817	94,000	11,789	249,700	184,206	39,000	24,800	761,700	477,612
2009	409,000	244,251	97,000	8,879	262,100	176,256	54,000	22,875	822,100	452,261
2010	740,000	229,967	20,000	5,600	276,300	167,580	59,000	20,135	1,095,300	423,282
2011-2015	3,852,000	718,020	100,000	16,000	1,530,000	682,713	321,000	43,785	5,803,000	1,460,518
2016-2020	1,090,000	70,725	20,000	800	1,661,500	380,610	-	-	2,771,500	452,135
2021-2025	-	-	-	-	922,294	89,968	-	-	922,294	89,968
Total	\$ 7,181,000	\$ 2,067,763	\$ 522,482	\$ 74,696	\$ 5,357,294	\$ 2,069,994	\$ 611,684	\$ 166,519	\$ 13,672,460	\$ 4,378,972

The resolutions providing for the issuance of the revenue bonds include the following provisions.

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate sewer revenue bond sinking account within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.
- (c) Additional monthly transfers of 25% of the amount required in the sewer revenue bond sinking account to a revenue reserve account and \$1,000 to the improvement fund account within the Enterprise Funds shall be made until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying for any additional improvements, extensions or repairs to the system.

(4) Interfund Loan Agreements

The City has approved various interfund loans from the police retirement, fire retirement and cablevision funds at a 7% annual interest rate as follows:

Lending Fund	Borrowing Fund	Original Loan	Outstanding 06/30/05	Annual Payment	Final Payment
Police Retirement	East Park TIF	\$ 76,617	\$ 54,466	various	01/01/07
Police Retirement	Riverside TIF	189,000	26,668	26,668	08/31/05
Police Retirement	Riverside TIF	176,784	24,941	24,941	08/31/05
Fire Retirement	East Park TIF	36,043	12,150	6,528	06/30/07
Police Retirement	Riverside TIF	100,000	45,993	18,111	06/30/08
Fire Retirement	Riverside TIF	105,000	61,862	20,000	06/01/07
Cablevision	Riverside TIF	50,000	35,331	9,056	06/01/09
Police Retirement	Riverside TIF	50,000	44,796	9,056	06/01/09

(5) County Urban Renewal Bonds

The Southwest Bypass TIF district is located partially within the City limits and partially outside the City limits. The TIF district is jointly governed by a 28E agreement between the City and Floyd County. Per the agreement, the City is responsible for the financial administration of the district. The County issued \$1,335,000 of bonds secured by the TIF revenues of the district. In turn, the County transferred the proceeds to the City to pay the expenses of the current projects. The City, as financial administrator, will receive the TIF revenues from the district and will transfer the funds to the County as the bonds mature. The bond payment schedule is as follows:

Year ending June 30,	General Obligation Bonds	
	Principal	Interest
2006	\$ 55,000	\$ 41,145
2007	80,000	39,990
2008	80,000	38,070
2009	80,000	35,910
2010	90,000	33,590
2011-2015	490,000	123,015
2016-2020	350,000	28,085
Total	\$ 1,225,000	\$ 339,805

During the year ended June 30, 2005, the City was to pay principal and interest of \$55,000 and \$42,135, respectively. In contravention of the governing 28E agreement and bond documents, the County Treasurer withheld the TIF funds from the City and remitted the principal and interest payments to the fiscal agent through the County.

(6) Conduit Debt

From time to time the City has issued Industrial or Health Facility Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds.

As of June 30, 2005, there was one series of Health Facility Refunding Revenue Bonds outstanding, with a principal amount payable of \$2,670,442.

(7) General Obligation Debt Refunding

During the year ended June 30, 2005, the City entered into an escrow agreement whereby the proceeds from general obligation refunding bonds were converted into U. S. Securities. These securities and additional cash were placed in an escrow account for the express purpose of paying the principal and interest on the refunded general obligation bonds as they become due. After the principal and interest on all of the outstanding bonds have been paid, the remaining funds in the escrow account, together with any interest thereon, shall be returned to the City. The amount of the refunded general obligation bonds that was considered extinguished and, therefore, excluded from long-term debt was \$575,000 on one issue and \$1,565,000 on another issue at June 30, 2005.

The net carrying amount of the old debt exceeded the reacquisition price by \$118,423 for the \$575,000 refunded bonds. This advance refunding was undertaken to restructure debt payment amounts and timing. The refunding resulted in an economic loss of \$20,485.

The reacquisition price exceeded the net carrying amount of the old debt by \$60,906 for the \$1,565,000 refunded bonds. This advance refunding was undertaken to restructure debt payment amounts and timing. The refunding resulted in an economic gain of \$60,906.

(8) Pension and Retirement Benefits

IPERS – The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$94,663, \$90,461 and \$87,838 respectively, equal to the required contributions for each year.

MFPRSI – The City contributes to the Municipal Fire and Police Retirement System of Iowa (MFPRSI), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The plan provides retirement, disability and death benefits which are established by state statute to plan members and beneficiaries. The

plan issues a publicly available financial report that includes financial statements and required supplementary information. The financial report may be obtained by writing to the Municipal Fire and Police Retirement System of Iowa, 2836 104th Street, Urbandale, IA 50322.

Plan members are required to contribute 9.35% of earnable compensation. The City's contribution rate may not be less than 20.48% of earnable compensation. Contribution rates are established by state statute. The City's contribution for June 30, 2005, 2004 and 2003 were \$198,303, \$121,070 and \$110,819 respectively, equal to the required contributions for each year.

(9) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation termination payments payable to employees at June 30, 2005, primarily relating to the General Fund, is as follows:

Type of Benefit Amount	
Vacation	<u>\$90,727</u>

This liability has been computed based on rates of pay in effect at June 30, 2005.

(10) Health Plan

The City has established a trustee health and welfare plan known as the Charles City Public Employees Health Plan. Under terms of the plan, the trustee is authorized and empowered to hold, invest and reinvest the funds paid over by the City and to make payments and transfers to cover claim payments and administrative expenses. The First Citizens National Bank, Charles City, Iowa, is the named trustee and Employee Group Service, Ltd., Cedar Rapids, Iowa, is the administrator of the plan.

Specific and aggregate stop-loss insurance is provided by ITT Hartford Insurance Company. The City is contingently liable to the trust in the event that a trust fund deficit should arise from adverse claims expense.

(11) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Road Use Tax	\$ 112,964
	Tax Increment Financing	34,683
	RUOK and FGP Advisory and Operating	2,000
	Housing Security Deposits and Public Housing	6,000
	MERV and MERV Replacement	757

	Debt Service	239,000
	Enterprise:	
	Water	185,924
	Waste Collection	<u>22,400</u>
		<u>\$ 603,728</u>
Special Revenue:		
Fire and Police Retirement	General	\$ 12,707
	Special Revenue:	
	Tax Increment Financing	<u>252,936</u>
		<u>\$ 265,643</u>
MERV and MERV Replacement	General	<u>\$ 1,500</u>
Tax Increment Financing	Debt Service	<u>\$ 793,168</u>
CVTC Operating	Special Revenue:	
	Road Use Tax	<u>\$ 20,626</u>
Cablevision	Special Revenue:	
	Tax Increment Financing	<u>\$ 9,056</u>
Debt Service	General	\$ 6,886
	Special Revenue:	
	Road Use Tax	41,316
	Tax Increment Financing	391,015
	MERV and MERV Replacement	4,748
	Enterprise:	
	Water	304,718
	Sewer Improvements	<u>257,362</u>
		<u>\$1,006,045</u>
Enterprise:		
Water	Debt Service	<u>\$ 106,500</u>
Sewer Improvements	Enterprise:	
	Water	<u>\$ 241,000</u>
Total		<u>\$3,047,266</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(12) Related Party Transactions

The City had business transactions between the City and City officials totaling \$683 during the year ended June 30, 2005.

(13) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(14) Deficit Fund Balances

The Special Revenue Fund Police Dispatch had a deficit balance of \$3,120 at June 30, 2005. The deficit balance was a result of costs incurred prior to reimbursement by the county. The deficit will be eliminated through county payments. The Debt Service Fund had a deficit balance of \$83,859 at June 30, 2005. The deficit balance was a result of insufficient transfers into the fund. The deficit will be eliminated through transfers.

(15) Floyd-Mitchell-Chickasaw Solid Waste Management Agency

The City, in conjunction with fourteen other municipalities, has created the Floyd-Mitchell-Chickasaw Solid Waste Management Agency. The Agency was established for the primary purpose of providing for the collection and disposal of solid waste produced or generated by each participant. On dissolution of the corporation, the net assets of the Agency will be prorated among the municipalities. The Agency is governed by a board composed of an elected representative of the governing body of each participating governmental jurisdiction.

The Agency may not be accumulating sufficient financial resources and the participating governments are obligated for a proportionate share of the debt, therefore, the City of Charles City may have an ongoing financial responsibility. The City is also obligated to remit a share of the operating and administration costs. During the year ended June 30, 2005, the City of Charles City paid Jendro's Sanitation \$219,622. The sanitation company is then responsible for paying all landfill fees for the City's share of the cost. Completed financial statements for the Agency can be obtained from the Floyd-Mitchell-Chickasaw Solid Waste Management Agency.

(16) Commitments and Contingencies

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. City management believes disallowances, if any, will be immaterial.

The City was notified by the United States Environmental Protection Agency (EPA) in March 1989, that the area known as the Shaw Avenue Dump had been determined to contain hazardous waste that has resulted in or could result in an "imminent and substantial endangerment to the public health or welfare or the environment". The EPA placed the Shaw Avenue Dump on the National Priority List (NPL) on July 22, 1987.

On December 22, 1987, the City and Solvay Animal Health, Inc. (Solvay) entered into a cost-sharing agreement whereby each pays 50% of the costs associated with complying with the consent order.

On May 26, 1989, the City and Solvay entered into a consent order with the EPA. The purpose of the consent order is to determine the nature and extent of any releases or threatened releases of pollutants or contaminants; to assess the threat, if any, to the public health and welfare; and to identify and evaluate remedial alternatives to prevent or mitigate such releases. On October 4, 1991, the EPA released a Record of Decision on the investigation of the contaminated area. Their decision was to require the City to perform a stabilization process to secure contaminants.

Subsequent to the issuance of the Record of Decision, the EPA determined that the technology to implement the stabilization process would not be adequate. On February 28, 1992, the City and Solvay entered into a Consent Decree with the EPA for remedial action, which consisted of excavation and off-site treatment by best practical means and disposal of chemical fill and contaminated soil. During the year ended June 30, 2005, the city had incurred expenditures of \$19,629, which represents 50% of the total expense shared with Solvay.

The Shaw Avenue Dump project has now been complete for several years. The EPA has approved the remedial plan. However, the City anticipates expending \$25,000 for annual maintenance and testing fees until the EPA approves the final project.

(17) Construction Commitments

As of June 30, 2005, the City had entered into construction contracts, which had remaining balances, including retainage, totaling \$290,974.

(18) Accounting Restatement

The government wide financial statement reports the City's governmental and business type activities. The beginning balance has been restated to correct a prior period error in the allocation of Internal Service Fund net assets and changes in net assets.

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Cash basis net assets July 1, 2004, as previously stated	\$4,675,608	\$1,564,027
Less error in Internal Service Fund allocation	<u>43,128</u>	<u>4,474</u>
Cash basis net assets July 1, 2004, as restated	<u>\$4,632,480</u>	<u>\$1,559,553</u>

City of Charles City
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 2,010,746	\$ 33,808	\$ -
Tax increment financing collections	1,278,706	-	-
Other city tax	741,546	-	-
Licenses and permits	98,716	-	-
Use of money and property	545,075	20,945	1,052
Intergovernmental	4,107,983	774	-
Charges for service	468,856	2,528,863	625,308
Special assessments	1,623	-	-
Miscellaneous	595,563	70,183	61,729
Total receipts	<u>\$ 9,848,814</u>	<u>\$ 2,654,573</u>	<u>\$ 688,089</u>
Disbursements:			
Public safety	\$ 1,799,353	\$ -	\$ -
Public works	423,513	-	-
Health and social services	472,537	-	-
Culture and recreation	598,711	-	-
Community and economic development	2,329,510	-	-
General government	665,739	-	-
Debt service	1,638,919	-	-
Capital projects	3,599,929	-	-
Business type activities	-	2,459,685	-
Nonprogram	-	651,915	651,915
Total disbursements	<u>\$ 11,528,211</u>	<u>\$ 3,111,600</u>	<u>\$ 651,915</u>
Excess (deficiency) of receipts over (under) disbursements	\$ (1,679,397)	\$ (457,027)	\$ 36,174
Other financing sources (uses), net	<u>1,838,530</u>	<u>6,536</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ 159,133	\$ (450,491)	\$ 36,174
Balances beginning of year	<u>4,632,880</u>	<u>1,559,153</u>	<u>(465)</u>
Balances end of year	<u><u>\$ 4,792,013</u></u>	<u><u>\$ 1,108,662</u></u>	<u><u>\$ 35,709</u></u>

See accompanying independent auditors' report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
\$ 2,044,554	\$ 2,161,200	\$ 2,161,200	\$ (116,646)
1,278,706	1,044,511	1,164,511	114,195
741,546	462,188	702,188	39,358
98,716	76,380	101,380	(2,664)
564,968	87,761	157,761	407,207
4,108,757	3,519,121	3,797,121	311,636
2,372,411	3,518,454	3,518,454	(1,146,043)
1,623	1,000	1,000	623
604,017	223,057	323,057	280,960
<u>\$ 11,815,298</u>	<u>\$ 11,093,672</u>	<u>\$ 11,926,672</u>	<u>\$ (111,374)</u>
\$ 1,799,353	\$ 1,763,547	\$ 1,879,047	\$ 79,694
423,513	608,424	645,424	221,911
472,537	476,832	476,832	4,295
598,711	735,514	735,514	136,803
2,329,510	2,354,786	2,884,786	555,276
665,739	568,904	671,904	6,165
1,638,919	746,103	1,083,003	(555,916)
3,599,929	3,250,377	4,321,377	721,448
2,459,685	2,312,448	2,312,448	(147,237)
-	-	-	-
<u>\$ 13,987,896</u>	<u>\$ 12,816,935</u>	<u>\$ 15,010,335</u>	<u>\$ 1,022,439</u>
\$ (2,172,598)	\$ (1,723,263)	\$ (3,083,663)	\$ 911,065
<u>1,845,066</u>	<u>1,130,000</u>	<u>2,370,000</u>	<u>(524,934)</u>
\$ (327,532)	\$ (593,263)	\$ (713,663)	\$ 386,131
<u>6,192,498</u>	<u>5,198,269</u>	<u>5,198,269</u>	<u>994,229</u>
<u>\$ 5,864,966</u>	<u>\$ 4,605,006</u>	<u>\$ 4,484,606</u>	<u>\$ 1,380,360</u>

City of Charles City

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$2,193,400 and budgeted receipts by \$833,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the debt service and business type activities functions.

City of Charles City

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2005

	Special Revenue				
	Local Option Sales Tax	Road Use Tax	RISE Grant	2002 Winnebago PFSA	Police Safety Education
Receipts:					
Other city tax	\$ 491,064	\$ -	\$ -	\$ -	\$ -
Use of money and property	6,586	-	-	-	-
Intergovernmental	-	649,536	-	5,000	-
Charges for service	-	-	-	-	-
Miscellaneous	-	-	26,144	10,076	3,406
Total receipts	<u>\$ 497,650</u>	<u>\$ 649,536</u>	<u>\$ 26,144</u>	<u>\$ 15,076</u>	<u>\$ 3,406</u>
Disbursements:					
Operating:					
Public safety	\$ -	\$ -	\$ -	\$ -	\$ 1,370
Public works	-	346,771	-	-	-
Health and social services	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Community and economic development	-	93,140	-	-	-
Capital projects	511,632	-	177,085	228,043	-
Total disbursements	<u>\$ 511,632</u>	<u>\$ 439,911</u>	<u>\$ 177,085</u>	<u>\$ 228,043</u>	<u>\$ 1,370</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (13,982)</u>	<u>\$ 209,625</u>	<u>\$ (150,941)</u>	<u>\$ (212,967)</u>	<u>\$ 2,036</u>
Other financing sources (uses):					
Operating transfers in	\$ -	\$ -	\$ -	\$ -	\$ -
Operating transfers out	-	(174,906)	-	-	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ (174,906)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in cash balances	\$ (13,982)	\$ 34,719	\$ (150,941)	\$ (212,967)	\$ 2,036
Cash balances beginning of year	<u>431,331</u>	<u>383,528</u>	<u>150,941</u>	<u>413,651</u>	<u>-</u>
Cash balances end of year	<u><u>\$ 417,349</u></u>	<u><u>\$ 418,247</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 200,684</u></u>	<u><u>\$ 2,036</u></u>
Cash Basis Fund Balances					
Unreserved:					
Special revenue funds	\$ 417,349	\$ 418,247	\$ -	\$ 200,684	\$ 2,036
Permanent fund	-	-	-	-	-
Total cash basis fund balances	<u><u>\$ 417,349</u></u>	<u><u>\$ 418,247</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 200,684</u></u>	<u><u>\$ 2,036</u></u>

See accompanying independent auditors' report.

Special Revenue (Cont.)							
MERV & MERV Replacement	STEP Grant	FEMA Grant	CVTC Operating	Fire and Police Retirement	RUOK and FGP Advisory & Operating	Section 8 Voucher	CHSP North & South
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13	-	-	2,546	-	-	43	-
1,527	3,966	26,639	72,948	-	302,928	511,038	-
-	-	-	-	-	-	98,358	4,823
-	-	-	42,759	-	177,817	655	-
<u>\$ 1,540</u>	<u>\$ 3,966</u>	<u>\$ 26,639</u>	<u>\$ 118,253</u>	<u>\$ -</u>	<u>\$ 480,745</u>	<u>\$ 610,094</u>	<u>\$ 4,823</u>
\$ 1,656	\$ -	\$ -	\$ -	\$ 204,313	\$ 390	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	472,537	-	-
-	-	-	-	-	-	-	-
-	-	14,380	79,133	-	-	542,401	36,783
-	1,005	-	-	-	-	-	-
<u>\$ 1,656</u>	<u>\$ 1,005</u>	<u>\$ 14,380</u>	<u>\$ 79,133</u>	<u>\$ 204,313</u>	<u>\$ 472,927</u>	<u>\$ 542,401</u>	<u>\$ 36,783</u>
<u>\$ (116)</u>	<u>\$ 2,961</u>	<u>\$ 12,259</u>	<u>\$ 39,120</u>	<u>\$ (204,313)</u>	<u>\$ 7,818</u>	<u>\$ 67,693</u>	<u>\$ (31,960)</u>
\$ 1,500	\$ -	\$ -	\$ 20,626	\$ 265,643	\$ -	\$ -	\$ -
(5,505)	-	-	-	-	(2,000)	-	-
<u>\$ (4,005)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,626</u>	<u>\$ 265,643</u>	<u>\$ (2,000)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ (4,121)	\$ 2,961	\$ 12,259	\$ 59,746	\$ 61,330	\$ 5,818	\$ 67,693	\$ (31,960)
4,121	-	-	31,560	241,908	42,374	724	70,468
<u>\$ -</u>	<u>\$ 2,961</u>	<u>\$ 12,259</u>	<u>\$ 91,306</u>	<u>\$ 303,238</u>	<u>\$ 48,192</u>	<u>\$ 68,417</u>	<u>\$ 38,508</u>
\$ -	\$ 2,961	\$ 12,259	\$ 91,306	\$ 303,238	\$ 48,192	\$ 68,417	\$ 38,508
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 2,961</u>	<u>\$ 12,259</u>	<u>\$ 91,306</u>	<u>\$ 303,238</u>	<u>\$ 48,192</u>	<u>\$ 68,417</u>	<u>\$ 38,508</u>

Schedule 1

Special Revenue (Cont.)						Permanent	
2003 & 2004 Capital Fund	EDSA-CDI Paint Facility	Police Dispatch	Law Enforcement Grant	Non- Permanent Library Funds	Cablevision	Permanent Library Funds	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 491,064
-	-	-	-	4,548	-	4,081	17,817
140,212	150,000	215,150	-	-	-	-	2,078,944
-	-	7,700	-	-	77,881	-	188,762
-	-	840	-	21,814	-	-	283,511
<u>\$ 140,212</u>	<u>\$ 150,000</u>	<u>\$ 223,690</u>	<u>\$ -</u>	<u>\$ 26,362</u>	<u>\$ 77,881</u>	<u>\$ 4,081</u>	<u>\$ 3,060,098</u>
\$ -	\$ -	\$ 246,841	\$ 907	\$ -	\$ -	\$ -	\$ 455,477
-	-	-	-	-	-	-	346,771
-	-	-	-	-	-	-	472,537
-	-	-	-	21,670	-	4,035	25,705
140,212	-	-	-	-	84,273	-	990,322
-	-	-	-	-	-	-	917,765
<u>\$ 140,212</u>	<u>\$ -</u>	<u>\$ 246,841</u>	<u>\$ 907</u>	<u>\$ 21,670</u>	<u>\$ 84,273</u>	<u>\$ 4,035</u>	<u>\$ 3,208,577</u>
\$ -	\$ 150,000	\$ (23,151)	\$ (907)	\$ 4,692	\$ (6,392)	\$ 46	\$ (148,479)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,056	\$ -	\$ 296,825
-	-	-	-	-	-	-	(182,411)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,056</u>	<u>\$ -</u>	<u>\$ 114,414</u>
\$ -	\$ 150,000	\$ (23,151)	\$ (907)	\$ 4,692	\$ 2,664	\$ 46	\$ (34,065)
-	-	20,031	907	112,032	85,910	18,914	2,008,400
<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ (3,120)</u>	<u>\$ -</u>	<u>\$ 116,724</u>	<u>\$ 88,574</u>	<u>\$ 18,960</u>	<u>\$ 1,974,335</u>
\$ -	\$ 150,000	\$ (3,120)	\$ -	\$ 116,724	\$ 88,574	\$ -	\$ 1,955,375
-	-	-	-	-	-	18,960	18,960
<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ (3,120)</u>	<u>\$ -</u>	<u>\$ 116,724</u>	<u>\$ 88,574</u>	<u>\$ 18,960</u>	<u>\$ 1,974,335</u>

City of Charles City
Schedule of Indebtedness
Year ended June 30, 2005

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Corporate Purpose	06/01/97	4.60-5.15%	\$ 585,000
Essentially Corporate Purpose	09/01/99	4.30-5.20%	1,550,000
Water Utility	09/01/00	4.70-5.50%	1,180,000
Corporate Purpose	04/01/02	2.50-5.20%	1,410,000
Corporate Purpose	02/13/03	1.40-4.20%	980,000
Corporate Purpose	02/18/03	2.00-4.50%	139,000
Refunding	07/01/03	1.35-3.25%	1,235,000
Refunding	09/01/04	3.50-4.00%	1,340,000
Refunding	06/01/05	3.10-3.75%	1,620,000
Total			
General obligation notes:			
Corporate Purpose	06/29/01	6.47%	\$ 40,000
Corporate Purpose	05/29/03	4.00%	260,000
Refunding	06/01/04	1.50-3.22%	359,000
Total			
Revenue bonds:			
Urban Renewal	02/13/03	1.75-4.75%	\$ 585,000
Water Utility	03/13/03	2.00-4.90%	1,400,000
Sewer Utility	07/01/03	3.00%	3,000,000
Urban Renewal	12/23/03	4.00%	136,000
Water 2004B	07/08/04	2.50-5.00%	320,000
Tax Increment Financing	01/10/05	4.50%	255,000
Water Pollution Control	01/10/05	3.50%	110,000
Total			
Revenue notes:			
Road Use Tax	06/24/99	4.30-5.50%	\$ 520,000
Urban Renewal	10/20/03	2.00%	95,684
Water	08/01/04	3.50%	36,000
Total			
Interfund loan agreements:			
Fire Retirement	04/15/96	7.00%	\$ 350,000
Police Retirement	12/07/98	7.00%	76,617
Police Retirement	12/29/99	7.00%	189,000
Police Retirement	06/30/00	7.00%	176,784
Fire Retirement	08/22/00	7.00%	36,043
Fire Retirement	10/01/01	7.00%	44,000
Police Retirement	12/17/01	7.00%	100,000
Fire Retirement	06/01/02	7.00%	105,000
Cablevision	07/01/02	7.00%	50,000
Police Retirement	07/01/02	7.00%	50,000
Police Retirement	03/03/03	7.00%	85,848
Total			

See accompanying independent auditors' report.

Schedule 2

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 355,000	\$ -	\$ 355,000	\$ -	\$ 1,482	\$ -
1,155,000	-	595,000	560,000	36,223	-
980,000	-	290,000	690,000	51,407	-
1,300,000	-	425,000	875,000	58,575	-
940,000	-	50,000	890,000	32,340	-
128,000	-	12,000	116,000	4,624	-
1,235,000	-	145,000	1,090,000	30,320	-
-	1,340,000	-	1,340,000	38,153	-
-	1,620,000	-	1,620,000	-	-
<u>\$ 6,093,000</u>	<u>\$ 2,960,000</u>	<u>\$ 1,872,000</u>	<u>\$ 7,181,000</u>	<u>\$ 253,124</u>	<u>\$ -</u>
\$ 21,679	\$ -	\$ 8,197	\$ 13,482	\$ 1,299	\$ -
240,000	-	20,000	220,000	9,600	-
359,000	-	70,000	289,000	8,753	-
<u>\$ 620,679</u>	<u>\$ -</u>	<u>\$ 98,197</u>	<u>\$ 522,482</u>	<u>\$ 19,652</u>	<u>\$ -</u>
\$ 565,000	\$ -	\$ 30,000	\$ 535,000	\$ 22,375	\$ -
1,365,000	-	50,000	1,315,000	56,325	-
2,722,459	95,835	112,000	2,706,294	82,570	-
136,000	-	-	136,000	-	-
-	320,000	15,000	305,000	12,364	-
-	255,000	-	255,000	4,494	-
-	110,000	5,000	105,000	1,508	-
<u>\$ 4,788,459</u>	<u>\$ 780,835</u>	<u>\$ 212,000</u>	<u>\$ 5,357,294</u>	<u>\$ 179,636</u>	<u>\$ -</u>
\$ 495,000	\$ -	\$ 15,000	\$ 480,000	\$ 26,315	\$ -
95,684	-	-	95,684	-	-
-	37,000	1,000	36,000	1,079	-
<u>\$ 590,684</u>	<u>\$ 37,000</u>	<u>\$ 16,000</u>	<u>\$ 611,684</u>	<u>\$ 27,394</u>	<u>\$ -</u>
\$ 50,000	\$ -	\$ 50,000	\$ -	\$ -	\$ -
62,118	-	7,652	54,466	4,348	-
48,548	-	21,880	26,668	3,399	-
45,408	-	20,467	24,941	3,178	-
17,618	-	5,468	12,150	1,060	-
11,876	-	11,876	-	831	-
59,910	-	13,917	45,993	4,194	-
78,815	-	16,953	61,862	5,517	-
38,191	-	2,860	35,331	1,668	-
47,656	-	2,860	44,796	1,668	-
85,848	-	85,848	-	-	-
<u>\$ 545,988</u>	<u>\$ -</u>	<u>\$ 239,781</u>	<u>\$ 306,207</u>	<u>\$ 25,863</u>	<u>\$ -</u>

City of Charles City
Bond and Note Maturities

June 30, 2005

General Obligation Bonds									
Year Ending June 30,	Corporate Purpose		Water Utility		Corporate Purpose		Corporate Purpose		Total
	Issued Sept 1, 1999		Issued Sept 1, 2000		Issued April 1, 2002		Issued Feb 13, 2003		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2006	4.70%	\$ 75,000		\$ -		\$ -	2.20%	\$ 55,000	
2007	4.75%	80,000		-		-	2.20%	55,000	
2008	4.85%	80,000		-		-	2.85%	60,000	
2009	4.95%	90,000		-		-	2.85%	60,000	
2010	5.00%	85,000	5.15%	65,000	4.40%	90,000	3.40%	60,000	
2011	5.05%	35,000	5.20%	70,000	4.50%	95,000	3.40%	65,000	
2012	5.10%	35,000	5.25%	75,000	4.70%	100,000	3.75%	70,000	
2013	5.15%	40,000	5.30%	80,000	4.80%	110,000	3.75%	70,000	
2014	5.20%	40,000	5.35%	80,000	4.90%	110,000	4.00%	70,000	
2015	-	-	5.40%	155,000	5.00%	115,000	4.00%	75,000	
2016	-	-	5.50%	165,000	5.10%	125,000	4.20%	80,000	
2017	-	-		-	5.20%	130,000	4.20%	80,000	
2018	-	-		-		-	4.20%	90,000	
Total		\$ 560,000		\$ 690,000		\$ 875,000		\$ 890,000	

General Obligation Notes										
Year Ending June 30,	Corporate Purpose		Corporate Purpose		Refunding				Total	
	Issued June 29, 2001		Issued May 29, 2003		Issued June 1, 2004					
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount				
2006	6.47%	\$ 8,802	4.00%	\$ 20,000	2.00%	\$ 67,000		\$ 95,802		
2007	6.47%	4,680	4.00%	20,000	2.50%	71,000		95,680		
2008	-	-	4.00%	20,000	2.85%	74,000		94,000		
2009	-	-	4.00%	20,000	3.22%	77,000		97,000		
2010	-	-	4.00%	20,000	-	-		20,000		
2011	-	-	4.00%	20,000	-	-		20,000		
2012	-	-	4.00%	20,000	-	-		20,000		
2013	-	-	4.00%	20,000	-	-		20,000		
2014	-	-	4.00%	20,000	-	-		20,000		
2015	-	-	4.00%	20,000	-	-		20,000		
2016	-	-	4.00%	20,000	-	-		20,000		
Total		\$ 13,482		\$ 220,000		\$ 289,000		\$ 522,482		

Revenue Bonds									
Year Ending June 30,	Urban Renewal		Water Utility		Sewer Utility		Urban Renewal		Total
	Issued Feb 13, 2003		Issued March 13, 2003		Issued July 1, 2003		Issued Dec 23, 2003		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2006	2.75%	30,000	2.25%	50,000	3.00%	115,000		-	
2007	2.75%	35,000	3.00%	50,000	3.00%	118,000	4.00%	7,400	
2008	3.40%	35,000	3.00%	55,000	3.00%	122,000	4.00%	7,700	
2009	3.40%	35,000	3.50%	55,000	3.00%	126,000	4.00%	8,100	
2010	4.00%	35,000	4.00%	60,000	3.00%	129,000	4.00%	8,300	
2011	4.00%	40,000	4.00%	60,000	3.00%	133,000	4.00%	8,700	
2012	4.20%	40,000	4.00%	65,000	3.00%	137,000	4.00%	9,100	
2013	4.20%	40,000	4.00%	65,000	3.00%	141,000	4.00%	9,400	
2014	4.40%	45,000	4.10%	70,000	3.00%	146,000	4.00%	9,700	
2015	4.40%	45,000	4.20%	70,000	3.00%	150,000	4.00%	10,100	
2016	4.75%	50,000	4.30%	75,000	3.00%	155,000	4.00%	10,500	
2017	4.75%	50,000	4.40%	80,000	3.00%	159,000	4.00%	11,100	
2018	4.75%	55,000	4.50%	85,000	3.00%	164,000	4.00%	11,500	
2019	-	-	4.60%	85,000	3.00%	169,000	4.00%	11,900	
2020	-	-	4.70%	90,000	3.00%	174,000	4.00%	12,500	
2021	-	-	4.80%	95,000	3.00%	179,000		-	
2022	-	-	4.90%	100,000	3.00%	185,000		-	
2023	-	-	4.90%	105,000	3.00%	190,000		-	
2024	-	-		-	3.00%	14,294		-	
Total		\$ 535,000		\$ 1,315,000		\$ 2,706,294		\$ 136,000	

See accompanying independent auditors' report.

Schedule 3

General Obligation Bonds Continued							
Corporate Purpose Issued Feb 18, 2003		Refunding Issued July 1, 2003		Refunding Issued Sept 1, 2004		Refunding Issued Sept 1, 2004	
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2.75%	\$ 13,000	1.80%	\$ 145,000	4.00%	\$ 65,000		\$ -
3.00%	13,000	2.10%	145,000	4.00%	65,000		-
3.25%	14,000	2.40%	155,000	4.00%	70,000		-
3.50%	14,000	2.60%	155,000	4.00%	90,000		-
4.00%	15,000	2.80%	160,000	4.00%	95,000	3.10%	170,000
4.25%	15,000	3.10%	165,000	4.00%	115,000	3.20%	175,000
4.40%	16,000	3.25%	165,000	3.50%	120,000	3.30%	185,000
4.50%	16,000		-	3.60%	220,000	3.40%	200,000
-	-		-	3.70%	250,000	3.50%	200,000
-	-		-	3.80%	250,000	3.60%	270,000
-	-		-		-	3.65%	290,000
-	-		-		-	3.75%	130,000
-	-		-		-		-
	<u>\$ 116,000</u>		<u>\$ 1,090,000</u>		<u>\$ 1,340,000</u>		<u>\$ 1,620,000</u>
							<u>\$ 7,181,000</u>
Revenue Notes							
Road Use Tax Issued June 24, 1999		Urban Renewal Anticipation Note Issued Oct 20, 2003		Water Issued Aug 1, 2004			
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total	
3.00%	\$ 10,000	2.00%	\$ 95,684	3.50%	\$ 4,000	\$ 109,684	
3.00%	25,000	-	-	3.50%	4,000	29,000	
3.00%	35,000	-	-	3.50%	4,000	39,000	
3.00%	50,000	-	-	3.50%	4,000	54,000	
3.00%	55,000	-	-	3.50%	4,000	59,000	
3.00%	70,000	-	-	3.50%	4,000	74,000	
3.00%	75,000	-	-	3.50%	4,000	79,000	
3.00%	80,000	-	-	3.50%	4,000	84,000	
3.00%	80,000	-	-	3.50%	4,000	84,000	
	<u>\$ 480,000</u>		<u>\$ 95,684</u>		<u>\$ 36,000</u>	<u>\$ 611,684</u>	
Revenue Bonds Continued							
Water 2004B Issued July 8, 2004		Tax Increment Financing Issued Jan 10, 2005		Water Pollution Control Issued Jan 10, 2005			
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total	
2.50%	\$ 15,000		\$ -	3.50%	\$ 10,000	\$ 220,000	
2.50%	15,000		-	3.50%	10,000	235,400	
3.50%	20,000		-	3.50%	10,000	249,700	
3.50%	20,000	4.50%	6,000	3.50%	12,000	262,100	
3.50%	20,000	4.50%	12,000	3.50%	12,000	276,300	
4.50%	20,000	4.50%	12,000	3.50%	12,000	285,700	
4.50%	20,000	4.50%	14,000	3.50%	12,000	297,100	
4.50%	20,000	4.50%	15,000	3.50%	13,000	303,400	
4.75%	25,000	4.50%	16,000	3.50%	14,000	325,700	
4.75%	25,000	4.50%	18,000		-	318,100	
4.75%	25,000	4.50%	18,000		-	333,500	
5.00%	25,000	4.50%	20,000		-	345,100	
5.00%	25,000	4.50%	22,000		-	362,500	
5.00%	30,000	4.50%	23,000		-	318,900	
-	-	4.50%	25,000		-	301,500	
-	-	4.50%	26,000		-	300,000	
-	-	4.50%	28,000		-	313,000	
-	-		-		-	295,000	
-	-		-		-	14,294	
	<u>\$ 305,000</u>		<u>\$ 255,000</u>		<u>\$ 105,000</u>	<u>\$ 5,357,294</u>	

City of Charles City

Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Three Fiscal Years

	2005	2004	2003
Receipts:			
Property tax	\$ 2,010,746	\$ 1,957,012	\$ 2,130,014
Tax increment financing collections	1,278,706	1,041,109	890,431
Other city tax	741,546	683,241	549,348
Licenses and permits	98,716	83,065	72,511
Use of money and property	545,075	504,074	494,507
Intergovernmental	4,107,983	3,544,646	4,873,982
Charges for service	468,856	191,815	324,974
Special assessments	1,623	2,537	1,207
Miscellaneous	595,563	779,523	716,221
Total	<u>\$ 9,848,814</u>	<u>\$ 8,787,022</u>	<u>\$ 10,053,195</u>
Disbursements:			
Operating:			
Public safety	\$ 1,799,353	\$ 1,365,921	\$ 1,449,034
Public works	423,513	643,890	772,068
Health and social services	472,537	464,085	452,611
Culture and recreation	598,711	693,883	717,289
Community and economic development	2,329,510	2,877,316	3,243,570
General government	665,739	735,954	726,357
Debt service	1,638,919	1,429,633	1,678,740
Capital projects	3,599,929	3,120,287	2,864,021
Total	<u>\$ 11,528,211</u>	<u>\$ 11,330,969</u>	<u>\$ 11,903,690</u>

See accompanying independent auditors' report.

City of Charles City

Schedule of Expenditures of Federal Awards

June 30, 2005

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Housing and Urban Development:			
Section 8 Housing Choice Vouchers	14.871	KC-9079V	\$ 553,237
Public Housing Capital Fund:			
Fiscal Year 2003	14.872	IA05POO250103	111,480
Fiscal Year 2004	14.872	IA05POO250203	28,732
Public and Indian Housing	14.850	IA00200104J	88,648
Total			<u>\$ 782,097</u>
U.S. Department of Transportation:			
Airport Improvement Program	20.106	3-19-0015-04-2004	<u>\$ 1,830,845</u>
Federal Emergency Management Agency:			
Assistance to Firefighters	83.544	EMW-2003-FG-03728	\$ 32,140
Public Assistance	97.036	0671672500	14,480
Total			<u>\$ 46,620</u>
Corporation for National and Community Service:			
Foster Grandparent Program	94.011	01SFNA003	<u>\$ 296,571</u>
Total Direct			<u>\$ 2,956,133</u>
Indirect:			
U.S. Department of Housing and Urban Development:			
Community Development Block Grants/State's Program:			
2003 Winnebago PFSA	14.228	02-PF-002	<u>\$ 5,000</u>
U.S. Department of Transportation:			
Governor's Traffic Safety Bureau:			
State Incentive Grants for Use of Seat Belts	20.604	04-157 Task 25	<u>\$ 3,500</u>
Environmental Protection Agency:			
Iowa Department of Natural Resources:			
Capitalization Grants for State Revolving Funds	66.458	SRF CS 192221 02	<u>\$ 279,367</u>
Total Indirect			<u>\$ 287,867</u>
Total expenditures of federal awards			<u><u>\$ 3,244,000</u></u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditors' report.

LINES MURPHY & COMPANY, P.L.C.

M Certified Public Accountants
625 Main St.
Osage, IA 50461-1307

Ph. 641-732-5841
Fax 641-732-5193

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance
and other matters
Based on an Audit of Financial Statements Performed in Accordance with Government Auditing
Standards

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Charles City, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated July 15, 2005. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Charles City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Charles City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-05 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Charles City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Charles City and other parties to whom the City of Charles City may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Charles City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Lines Murphy & Company, P. L. C.
Certified Public Accountants
Charles City, Iowa
July 15, 2005

L **INES MURPHY & COMPANY, P.L.C.**
M Certified Public Accountants
625 Main St. Ph. 641-732-5841
Osage, IA 50461-1307 Fax 641-732-5193

Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the compliance of the City of Charles City, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 2005. The City of Charles City's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal programs is the responsibility of the City of Charles City's management. Our responsibility is to express an opinion on the City of Charles City's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards, and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Charles City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Charles City's compliance with those requirements.

In our opinion, the City of Charles City complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2005. However, the results of our auditing procedures disclosed an instance of non-compliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described as item III-A-05 in the accompanying Schedule of Findings and Questioned Costs.

Internal Control Over Compliance

The management of the City of Charles City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Charles City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted no matters involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City of Charles City's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe no items are material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Charles City and other parties to whom the city of Charles City may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Lines Murphy & Company, P. L. C.
Certified Public Accountants
Charles City, Iowa
July 15, 2005

City of Charles City
Schedule of Findings and Questioned Costs
Year ended June 30, 2005

Part I: Summary of the Independent Auditors' Results:

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) The audit did not disclose any reportable conditions in internal control over the major programs.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The programs tested as major were as follows:
 - CFDA Number 14.871 – Section 8 Housing Choice Vouchers
 - CFDA Number 20.106 – Airport Improvement Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Charles City did not qualify as a low-risk auditee.

City of Charles City
Schedule of Findings and Questioned Costs
Year ended June 30, 2005

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-05 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing and bank deposits are done by the same person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

City of Charles City
Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCE OF NON-COMPLIANCE:

CFDA Number 20.106: Airport Improvement Program
Pass-through Agency Number: 3-19-0015-04-2004
Federal Award Year: 2004
Department of Transportation
Passed through the Iowa Department of Transportation

III-A-05 Record of reports filed with FAA – Supporting documentation was not available to verify reports were filed with the FAA as required.

Recommendation – The City should implement procedures to ensure supporting documentation is retained.

Response – We will retain documentation of required reports.

Conclusion – Response accepted.

REPORTABLE CONDITION:

No matters were noted.

City of Charles City

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Part IV: Other Findings Related to Statutory Reporting:

IV-A-05 Official Depositories – A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

IV-B-05 Certified Budget – Disbursements during the year ended June 30, 2005 exceeded the amounts budgeted in the debt service and business type functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

IV-C-05 Questionable Disbursements – No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-D-05 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-E-05 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Jerry Joerger, Council Member, Owner of Yeg's Sports	Miscellaneous supplies	\$ 683

In accordance with Chapter 362.5(10) of the Code of Iowa, the amount does not appear to represent a conflict of interest. The amount is less than \$1,500 and bids were not required.

IV-F-05 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

City of Charles City

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

IV-G-05 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not. Although the minutes of Council proceedings were published, they were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should comply with Chapter 372 of the Code of Iowa and should publish minutes as required.

Response – We will publish minutes as required.

Conclusion – Response accepted.

IV-H-05 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

IV-I-05 Revenue Bonds and Notes – The City has complied with the revenue bond and note resolutions.

IV-J-05 Financial Condition – The Special Revenue Fund, 1998 Police Dispatch Account, and the Debt Service Fund had deficit balances at June 30, 2005 of \$3,120 and \$83,859, respectively.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response – The City will investigate alternatives.

Conclusion – Response accepted.

City of Charles City

Required Supplementary Information

Other Supplementary Information

City of Charles City

Corrective Action Plan for Federal Audit Findings

Year ended June 30, 2005

Comment Number	Comment Title	Corrective Action Plan	Contact Person, Title, Phone Number	Anticipated Date of Completion
III-A-05	Supporting Documentation Unavailable to Verify Timely Filing of Federal Reports	The corrective action plan was documented in our response to the auditor's comment. See the Schedule of Findings and Questioned Costs.	Tracy Meise, Program Director, (641) 257-6300	Documentation to support timely filing of federal reports filed with the FAA will be maintained effective immediately.

City of Charles City
Summary Schedule of Prior Federal Audit Findings
Year ended June 30, 2005

Comment Reference	Comment Title	Status	If not corrected, provide planned corrective action or other explanation
III-A-04	Davis-Bacon Act Requirements not Included in Contract Amounts	Corrective action taken.	Contract already completed. Program director has implemented procedures to ensure compliance with David-Bacon Act.
III-B-04	Davis-Bacon Act Monitoring Requirements were not Done.	Corrective action taken.	Contract already completed. Program director has implemented procedures to ensure compliance with David-Bacon Act.
III-C-04	Davis-Bacon Act Requirements not Included in Contract Amounts.	Corrective action taken.	Contract already completed. Program director has implemented procedures to ensure compliance with David-Bacon Act.
III-D-04	Grant Drawdowns were in Excess of Allowable Amount.	Corrective action taken.	City submitted revised budget that included revised project amounts. Since the City matched grant CDBG funds, the City won't have to return any funds to IDED.
III-E-04	Income not Correctly Documented.	Corrective action taken.	A new income sheet has been created to insure accurate reporting of participant income. A comment section has been added to document specific income areas.
III-F-04	Grant Drawdowns were in Excess of Allowable Amount.	Corrective action taken.	Adjustment made to a future draw to correct the total amount reimbursed.

Primary Government Basic Financial Statements